

BEFORE THE SECRETARY OF STATE

STATE CAPITOL

CHEYENNE, WYOMING 82002-0020

STATE OF WYOMING
Office of the Secretary
5th day of June
2006 at 9:45 A.M.
Joseph B. Meyer
Secretary of State

IN THE MATTER OF:

Merrill Lynch Financial Markets, Inc.
4 World Financial Center
New York, NY 10080

Over-The-Counter Derivatives Dealer
CRD #131322

Case #06 - 06

**ORDER
REGISTERING NON-NASD MEMBER BROKER-DEALER**

To: Ilona Stanley, Vice President
Office of General Counsel
Merrill Lynch, Inc.
4804 Deer Lake Drive East, 4th Floor
Jacksonville, FL 32246

COMES NOW the Wyoming Secretary of State and makes the following

Findings of Fact, Conclusions of Law, and Order:

JURISDICTION

1. Wyoming Statute (Wyo. Stat.) §17-4-118 states:
 - (a) This act [§§ 17-4-101 through 17-4-129] shall be administered by the secretary of state.



2. As administrator of Wyoming's Uniform Securities Act, the Secretary of State has jurisdiction over matters involving the registration and sales conduct of securities agents, broker-dealers, the securities they sell, and enforcement of the Act's anti-fraud provisions. [Wyo. Stat. § 17-4-101, et seq.]

FINDINGS OF FACT

3. Merrill Lynch Financial Markets, Inc. (MLFM), a wholly-owned subsidiary of Merrill Lynch, Inc., was formed March 2, 2004, as a Delaware corporation.
4. MLFM operates as an Over-The-Counter (OTC) Derivatives Dealer, as described in Securities and Exchange Commission Release 34-40594.
5. MLFM registered as an OTC Derivatives Dealer with the Securities and Exchange Commission as of July 14, 2004.
6. MLFM is registered as a securities broker-dealer in approximately 22 states and is pending registration in approximately 3 states.
7. MLFM's activities fall within those defined in Wyo. Stat. § 17-4-113(a)(iii) as a securities broker-dealer.
8. MLFM's business in the securities industry requires it to be registered as a securities broker-dealer in the state of Wyoming prior to conducting business in this state under Wyo. Stat. § 17-4-103(a).
9. Securities broker-dealer registration is further described in Wyo. Stat. §§ 17-4-103 through 105 and in Wyoming Securities Division Rules, Chapter 4.

10. Specifically, the Securities Division Rule, Chapter 4, Section 1 (e), requires all applicants for broker-dealer registration to be members in good standing of the National Association of Securities Dealers (NASD).
11. MLFM is not a member in good standing with the NASD because, in its business as an OTC Derivatives Dealer, it does not, by Securities and Exchange Commission interpretation and classification, engage in those activities which would otherwise necessitate its membership in the NASD.
12. MLFM is exempt from membership in a securities self-regulatory organization (NASD) and must limit its securities activities to those specified in Exchange Act [Federal Securities and Exchange Act of 1934 U.S.C. 15 sec. 78 et seq.] Rules 3b-12 and 15a-1.
13. Wyo. Stat. § 17-4-124 states:
 - (a) The secretary of state may from time to time make, amend, and rescind such rules, forms and orders as are necessary to carry out the provisions of this act [§§ 17-4-101 through 17-4-129], including rules and forms governing registration statements, applications, and reports, and defining any terms, whether or not used in this act, insofar as the definitions are not inconsistent with the provisions of this act. For the purpose of rules and forms, the secretary of state may classify securities, persons, and matters within his jurisdiction, and prescribe different requirements for different classes.
 - (b) No rule, form, or order may be made, amended, or rescinded unless the secretary of state finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this act. In prescribing rules and forms the secretary of state may cooperate with the securities administrators of the other states and the securities and exchange commission with a view to effectuating the policy of this act to achieve maximum uniformity in the form and content of registration statements, applications, and reports wherever practicable. [emphasis added]

14. MLFM does not employ persons who act as registered persons (securities agents) on behalf of MLFM. [Wyo. Stat. § 17-4-113 (a) (ii)]
15. The securities activities of MLFM are subject to a Services Agreement dated March 28, 2005, between MLFM and Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S) assuring that required compliance is made with respect to books and records, sales practices, and similar regulatory issues.
16. MLFM made application for broker-dealer registration in Wyoming by letter accompanied by the materials otherwise required for broker-dealer registration, all received by the Secretary of State on April 13, 2006.

CONCLUSIONS OF LAW

17. MLFM meets all broker-dealer registration requirements except for NASD membership.
18. MLFM does not pose a significant administrative burden since it does not have registered representatives (securities agents) to register or renew outside of the North American Securities Administrators Association (NASAA)/National Association of Securities Dealers (NASD) Central Registration Depository System.
19. NASD compliance issues are substantially addressed through the Services Agreement with MLPF&S, which is an NASD member.

20. It is in the public interest to register MLFM as a broker-dealer since broker-dealer registration is required by law, MLFM desires to be registered, and such registration does not pose an administrative burden to the Secretary of State nor does such registration pose a threat to the public in Wyoming.
21. MLFM is a broker-dealer which is doing business not presently classified under Securities Division Rule, but which otherwise comes within the definition of broker-dealer found in Wyo. Stat. §17-4-114(a)(ii) and is required to register under Wyo. Stat. § 17-4-103(a).

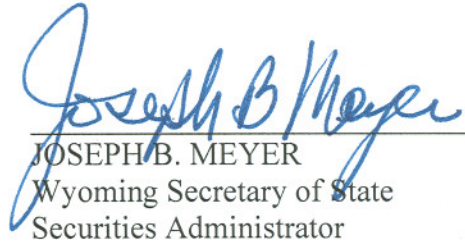
ORDER

THEREFORE, it is hereby ordered that:

22. Registration of MLFM is appropriate in the public interest and is consistent with the purposes fairly intended by the policy and provisions of this act, Securities Division Rule Chapter 4, Section 1(e) notwithstanding.
23. The broker-dealer registration of MLFM shall: (i) be made effective as of the date of this Order; (ii) be renewed annually on January 1 by paying the fee as prescribed in W. S. § 17-4-104(b); (iii) be kept current by amending its Form BD with the Secretary of State as it becomes inaccurate; and (iv) conform to all Securities Division Rules otherwise applicable.

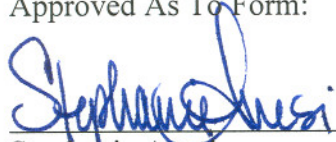
24. The Secretary of State, in issuing this Order, takes specific notice of the potential burden of registration and renewal when such registration and renewal must occur other than through the NASAA/NASD CRD system. No precedent regarding the registration of non-NASD member broker-dealer firms in Wyoming is intended through issuance of this Order.

DATED this 5th day of June, 2006.



JOSEPH B. MEYER
Wyoming Secretary of State
Securities Administrator

Approved As To Form:



Stephanie Anesi
Assistant Attorney General